Japanese Carbon and Alloy Flat Products

Product Category: Tin Mill Products (#7)

(a)	Product Designation/HTS	**Tin Free Steel for Inner Magnetic Shield (IMS)** 7212.50.00.00
(b)	Product Description	Steel coated with a metallic chromium layer between 100-200 mg/m^2 and has a chromium oxide layer between 5-30 mg/m^2; chemical composition of 0.05% maximum carbon, 0.03% maximum silicon, 0.60% maximum manganese, 0.02% maximum phosphorous, and 0.02% maximum sulfur; magnetic flux density ("Br") of 10 kg minimum and a coercive force ("Hc") of 3.8 Oe maximum.
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutible Products	See Attachment C

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Okaya, a U.S. importer, plans to import certain tin free steel for the sole use by Sony Electronics Inc. in the production of inner magnetic shields ("IMS") that will be incorporated into 42" cathode ray tubes ("CRT").[1] The function of the IMS is to shield electrons, shot by an electron gun, from outside magnetic field interference. This is called "beam shielding." After a demagnetization process that is carried out when the television set is switched on, the IMS exhibits a positive magnetic shielding effect allowing the electron beam to pass through the CRT and to be re-directed by the deflection yoke to form a picture on a screen. The specialized tin-free steel, known as "42RSN," is not produced in the United States and is the only steel product that is suitable for this purpose.

At the time of the recent antidumping investigation of tin mill products from Japan, Sony used certain specialty tin free steel (known as "34/38RSN") in the production of IMSs for 34" and 38" CRTs for color televisions. In response to a direct appeal by Sony, petitioners requested exclusion of this product from the antidumping investigation. The request was based generally on the fact that petitioners had no interest in manufacturing 34/38RSN. In particular, 34/38RSN met certain stringent magnetic specifications that petitioners were either

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[1] *See* Affidavit of Louis Dubois, Purchasing Agent, Sony electronics, Inc. (**Attachment D**).

unable or unwilling to produce because the quantity used by Sony was so small (approximately [ ] per year). The Commerce Department granted the request and excluded 34/38RSN from the scope of the investigation.[2] The U.S. Trade Representative followed suit, explicitly excluding this product from the Section 201 investigation.[3]

Okaya is now planning to import 42RSN steel for the exclusive use of Sony in the production of IMSs to be incorporated into 42" CRTs. Such a large CRT will require the use of 42RSN tin free steel that is similar to the 34/38RSN tin free steel but has even more stringent magnetic specifications. The anticipated annual quantity that Okaya will import is approximately [ ] tons per year. This amount is tiny compared to the entire quantity of tin free steel included in the scope of this investigation.

Like 34/38RSN, 42RSN is single reduced electrolytically chromium coated specialty steel used in the manufacturing of IMSs. Unlike 34/38RSN, the IMSs produced from 42RSN will be incorporated into 42" CRTs rather than 34" and 38" CRTs. If the domestic industry was unwilling to produce narrower steel, it is highly unlikely that they would produce larger dimensions.

Furthermore, the critical specifications that the steel needs to possess for high quality beam shielding are the magnetic properties of magnetic flux density ("Br") and coercive force ("Hc"). Br measures the steel's residual magnetic flux density. In other words, the Br determines how well the IMS can become a positive shielding material. The higher the Br, the higher the magnetic shielding effect of the material. This results in greater resistance against outside magnetic field interference allowing the electron beam to form a higher quality picture. Hc measures the steel's (magnetic) coercive force. In other words, the Hc determines how much energy is required to demagnetize the steel. The lower the Hc, the greater the overall energy efficiency of the television.

Petitioners cited the magnetic properties of 34/38RSN as a basis for exclusion from the antidumping case. 42RSN requires even more stringent specifications for the magnetic properties. 42RSN possesses a Br of 10.00 kG minimum and a Hc of 3.8 Oe maximum. Although 34/38RSN possesses a comparable Hc of 2.5-3.8 Oe, the Br of 42RSN is more stringent than 34/38RSN. These magnetic properties are of critical importance in terms of picture quality and energy efficiency. Due to the larger size of the CRT, the steel used in a 42" IMS requires a greater Br and comparable Hc to produce a picture quality equivalent to the 32" and 36" color televisions that use 34/38RSN steel. Sony is unable to purchase specialty steel from any U.S. domestic steel manufacturer with the same or comparable magnetic specifications of 42/RSN required by Sony to produce IMS's for 42" CRTs.

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[2] *Notice of Final Determination of Sales at Less Than Fair Value: Certain Tin Mill Products From Japan*, 65 Fed. Reg. 39364, 39365 (Jun. 26, 2000) (excluding 34/38RSN as "single reduced electrolytically chromium coated steel").

[3] Letter from Robert B. Zoellick, U.S. Trade Representative, to Stephan Koplan, Chairman, U.S. International Trade Commission, at Annex II (Jun. 22, 2001).

Additionally, the quantity involved herein – [ ] metric tons per year – is tiny and represents a fraction of the steel covered by this investigation. It is also far less than the [ ] tons of 34/38RSN previously excluded. It is Okaya's sense that the domestic industry is unwilling or unable to produce 42RSN with the stringent specifications because such a quantity could not be produced economically.

Furthermore, imported 42RSN is typically more expensive than U.S. tin mill products. As shown in **Attachment B**, the unit price for certain tin free steel from Japan was [ ] during the period of investigation. Compare these prices to pricing data collected by the Commission for the selected pricing products which are intended to be representative of U.S. prices of tin mill products in general.[4] This attachment demonstrates the [ ] overselling of this specialty product imported from Japan. Imports of high-priced specialized products have no detrimental effect on the domestic industry and warrant exclusion from any 201 remedy.

Sony Electronics is particularly vulnerable to the potential decisions of this case. It purchases five types of specialty steel and must be able to import these products to continue production of its CRTs.[5] Sony manufactures CRTs in both Mount Pleasant, Pennsylvania and San Diego, California. In those two facilities Sony has over [ ] employees, and purchases from over 1,200 domestic suppliers.[6] Currently, Sony Electronics is the only domestic manufacturer of direct view televisions in the United States. There used to be 34 other television manufacturers in the United States in 1990. However, a vast majority of them have relocated their facilities in Mexico where the labor is significantly cheaper and where they pay only [ ] the duty rate on their imports due to a special program called PROSEC that has significantly reduced duties on Non-NAFTA parts imported into Mexico.[7] If a 40% tariff were placed on Sony's imports, they would lose over [ ] a year.[8] Because of the intense competition they face with cheap imports from Mexico, Sony would not be able to continue manufacturing at its current levels.

Coupling the stringent specifications with the fact that the quantity involved is so small and the level of [ ] overselling leads to only one conclusion: the Commission should find that U.S. producers are not injured by imports of this specialty product. Therefore, 42RSN should not be part of any 201 remedy.

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4 *See* ITC's Staff Report at Table FLAT-75.

5 See the following exhibits for those arguments: Coated Steel Sheet for Reinforcement of Heat-Shrinkable Bands; Tin Free Steel for Inner Magnetic Shields; SCM 415, SCM 415 (modified), and NST 490 for CRT frames.

6 *See* Affidavit of John Halac and Louis Dubois of Sony Electronics (**Attachment D**).

7 *Id*.

8 *Id*.

Attachment A

Foreign Producers

[ ]

- [ ]
- [ ]
- [ ]

Domestic Producers

- No Known Domestic Producers

TIN

Tin Free Steel for Inner Magnetic Shield (42RSN)

Quantity						**January - June**		**Projections**					
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**	
[	0	0	0	0	0	0	0	0	0	0	0	0	
Total	0	0	0	0	0	0	0	0	0	0	0	0	]

Value *						**January - June**		**Projections**					
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**	
[	0	0	0	0	0	0	53,383	247,247	247,247	247,247	247,247	247,247	
Total	0	0	0	0	0	0	53,383	247,247	247,247	247,247	247,247	247,247	]

[Unit Price	N/A	N/A	N/A	N/A	N/A	N/A	2,542	]					
U.S. Production	0	0	0	0	0	0	0	0	0	0	0	0	
Imports from Other Countries	0	0	0	0	0	0	0	0	0	0	0	0	
Total U.S. Consumption													
[Quantity	0	0	0	0	0	0	0	0	0	0	0	0	]
[Value	0	0	0	0	0	0	53,383	247,247	247,247	247,247	247,247	247,247	]

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

PUBLIC VERSION

AFFIDAVIT OF LOUIS DUBOIS
PURCHASING AGENT , SONY ELECTRONICS INC.

I, **Louis DuBois** , declare and state to the best of my knowledge and belief, that:

1. Sony Electronics Inc. is the exclusive purchaser of 42RSN from [This is a specialized tin-free steel that is not produced in the United States and must be imported from Japan. 42RSN steel is used by Sony to produce inner magnetic shields ("IMS") that will be incorporated into 42" cathode ray tubes ("CRT"). Sony expects to be importing approximately [tons per year.

2. The function of the IMS is to shield electrons, shot by an electron gun, from outside magnetic field interference, commonly called "beam shielding." After a demagnetization process that occurs when the television set is switched on, the IMS exhibits a positive magnetic shielding effect allowing the electron beam to pass through the CRT and to be re-directed by the deflection yoke to form a picture on a screen. There are no substitutes for 42RSN for this purpose. These large 42" CRTs will require the use of 42RSN tin free steel that has even more stringent magnetic specifications than the 34/38RSN tin free steel.

3. Like 34/38RSN, 42RSN is single reduced electrolytically chromium coated specialty steel used in the manufacturing of IMSs. Unlike 34/38RSN, the IMSs produced from 42RSN will be incorporated into 42" CRTs rather than 34" and 38" CRTs. The U.S. steel industry never produced 34/38RSN and we doubt that they will even try to produce the larger 42RSN.

4. The magnetic properties of magnetic flux density ("Br") and coercive force ("Hc") are the critical specifications that the steel needs to possess for high quality beam shielding. Br measures the steel's residual magnetic flux density and determines how well the IMS can become a positive shielding material. The higher the Br, the higher the magnetic shielding effect of the material. This results in greater resistance against outside magnetic field interference allowing the electron beam to form a higher quality picture. Hc measures the steel's (magnetic) coercive force, and determines how much energy is required to demagnetize the steel. The lower the Hc, the greater the overall energy efficiency of the television.

5. 42RSN requires even more stringent specifications for the magnetic properties than the 34/38 RSN. 42RSN possesses a Br of 10.00 kG minimum and a Hc of 3.8 Oe maximum. Although 34/38RSN possesses a comparable Hc of 2.5-3.8 Oe, the Br of 42RSN is more stringent than 34/38RSN. These magnetic properties are critically important in determining the picture quality and energy efficiency. The steel used in a 42" IMS requires a greater Br and comparable Hc to produce a picture quality equivalent to the 32" and 36" color televisions that use 34/38RSN steel. Sony is unable to purchase specialty

steel from any U.S. domestic steel manufacturer with the same or comparable magnetic specifications of 42"/RSN required by Sony to produce IMS's for 42" CRTs.

6. Another product that Sony imports and that is not produced domestically is the corrosion-resistant alloy steel product for heat-shrinkable bands. It is a high-strength, cold-rolled steel, electrolytically coated with either pure zinc or zinc-nickel. The coated steel has improved geomagnetic shielding properties used for explosion-proof band or an outer magnetic shielding material for television and computer monitor cathode-ray tubes to protect against explosion in the event the picture tube is shattered. Strict high-tensile strength control is needed for protection from the explosion of the cathode-ray tubes. The magnetic properties control is required to avoid a color drift caused by geomagnetic influence.

7. No U.S. mill can produce this type of coated sheet that combines both high magnetic properties and a high tensile/yield strength. The domestic steel companies are only able to produce coated steel with one, but not both of these characteristics. In fact, [ ] worked with their end users to develop this technology, and have obtained patents in Japan.

8. If either 42RSN or HS-bands become unavailable to Sony , it will bring our factories to a standstill because we cannot buy it in the United States. Applying quotas or tariffs to this product will not help the domestic steel industry because it does not produce either of them, and so they should be excluded from the scope of this case.

Louis Dudoris Purchasing Agent
{NAME}

Dated: 9-10-01

Sony Display Device
Pittsburgh

State of Pennsylvania
County of Westmoreland

Subscribed and sworn to before me this 10th day of September, 2001.

Maryann Schach
Notary Public

My commission expires: September 14, 2002

Notarial Seal
Maryann Schach, Notary Public
East Huntingdon Twp., Westmoreland County
My Commission Expires Sept. 14, 2002
Member, Pennsylvania Association of Notaries

SONY

PUBLIC VERSION

Sony Electronics Inc., Display Device Pittsburgh
Sony Electronics Inc., Sony Technology Center – San Diego

AFFIDAVIT OF JOHN HALAC, PURCHASING SUPERVISOR
AND LOUIS DUBOIS, PURCHASING AGENT, SONY ELECTRONICS INC.

We, John Halac and Louis Dubois, declare and state to the best of our knowledge and belief, that:

1. Sony Electronics produces color television picture tubes in San Diego, California and Mount Pleasant, Pennsylvania. We use domestic steel as well as imported steel from Japan to produce our cathode ray tubes (CRTs) for our televisions. Specifically, we use several specialty Japanese steel products that are not available domestically. The imported steel includes coated steel sheet for heat-shrinkable bands; steel used for inner magnetic shields ("IMS") for Sony's 42RSN model; hot-rolled SCM 415 frame steel, hot-rolled SCM 415 modified frame steel, and hot-rolled NST490 frame steel used in the production of CRTs. In particular, for FY'02 our Pittsburgh facility will use approximately [ ] tons of IMS steel for the 42 RSN CRT model, [ ] tons of steel for heat-shrinkable bands and [ ] tons of SCM 415 hot rolled steel. For FY'02, our San Diego facility will use approximately [ ] tons of SCM 415 modified steel, [ ] tons of NST490 frame steel and [ ] tons of steel for heat-shrinkable bands. As you can see, the total amount of imported steel used by Sony's plants, only [ ] tons, is insignificant in comparison to the total amount of imported steel subject to this investigation, but the impact to Sony on any additional duties or quota will be disproportionately significant.

2. Sony is a large employer in the television industry. The Mount Pleasant facility alone employs [ ] full-time workers with a total payroll approaching [ ]. The San Diego facility employs [ ] people with a total payroll of approximately [ ].

3. We face intense competition from foreign CRT producers because they have lower production costs. In fact, former U.S. television manufacturers have moved their facilities to Mexico to benefit from these lower costs. For example, the cost of labor in the United States is significantly higher than the cost of labor in Mexico. From 1995 to 1998, U.S. consumption of CRTs dropped from 14 million units to 10 million units. In 1990, there were 34 television manufacturing facilities in the United States with approximately 26,000 workers. Presently, there are only a few U.S. manufactures of direct view televisions in the United States. Conversely, manufacturing facilities in Mexico have increased from 13 television manufacturers in 1998 to 22 in 2001. This trend has continued and will continue as U.S. television manufacturers are forced to compete with cheaper imports.

4. Placing tariffs on the imported steel would have a dramatic adverse impact on our profitability. Currently there are relatively small profit margins generated by our manufacture of color televisions. As a matter of fact, Sony recently shut-down two CRT production lines for computer monitors because Sony could not compete with the less expensive CRTs produced overseas. This resulted in a loss of [ ] U.S. jobs in San Diego. There is a constant pressure to reduce costs due to cheaper televisions being imported from foreign sources. This situation is compounded by the fact that television manufacturers in Mexico can export their televisions to the United States duty free due to NAFTA.

5. The application of any additional duties places Sony at a continued disadvantage as compared to our fellow NAFTA members, Mexico and Canada. For example, Mexico has a program called PROSEC that has reduced the duty on Non-NAFTA television parts imported into Mexico to 0.5%. This allows Mexico to produce televisions at reduced costs as well as importing the finished goods into the U.S. and Canada duty free. Canada initiated a similar program in 1994. The United

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States has no parallel program resulting in an average U.S. duty rate of [ ]% for our television parts. Because we have to pay a duty that is [ ] times higher for television parts, our cost of production is significantly higher than the cost of manufacturing in Mexico and Canada. This places us at a considerable disadvantage with imports of CRTs and televisions from Mexico and Canada. Imposing additional duties on the imported steel we use would only further put Sony at a disadvantage.

6. Sony has made a commitment to maintain its presence in the United States and will continue to manufacture televisions and CRTs here as long as we are able to remain profitable. Factors such as NAFTA duty preference, reduced transportation costs and efficient use of logistics are significant benefits to the continued manufacture of televisions and CRTs in the United States. Additionally, Sony's CRT and television manufacturing has supported a network of over 1,300 local vendors from whom many of our parts are purchased. Sony is committed to supporting communities where its employees work and live. These suppliers require certain steel products as essential raw materials. We must turn to imported steel when domestic suppliers are unable to provide us products at the quality levels required and delivery times necessary to meet our needs.

7. With the intense competition from off-shore television and CRT manufacturers, we cannot afford to pay increased tariffs or suffer any quota on our imported steel. Due to the specific design of our CRTs, Sony is required to purchase HS Band steel, IMS 42RSN steel NST490 frame steel and the SCM 415 frame steel with particular specifications. At this time, we are testing the SCM 415 (modified). Other than the NST490, we believe the SCM 415 (modified) is the only other steel able to meet our needs for our 29" CRT. Our imported steel is not available domestically. Even if a comparable steel were available, we would have to redesign the various parts of the CRT and that would be cost-prohibitive. We estimate that a 40% tariff on our imported steel we use would raise our costs of production by approximately [ ] in our Mount Pleasant facility and [ ] in our San Diego facility. Given that intense competition has already minimized our profit margin on CRTs, we would not be able to continue manufacturing at our current levels.

8. This steel is not available domestically and placing quotas would only limit the amount Sony can expand production of its televisions. In addition, supply disruptions caused by quotas could restrict current production levels. A tariff or quota would not help domestic steel producers as they do not compete with these products. Increased tariffs or quotas would only force us to drastically cut our revenue and might ultimately force us to move our facilities to lower-cost areas of the world. Steel used to produce HS Bands, IMS for the 42RSN model, NST490 frame, SCM 415 frame and SCM 415 (modified) frame steel should all be excluded from any remedy recommendation to the President.

John Halac,
Purchasing Supervisor
SONY Display Device - San Diego

Louis Dubois
Purchasing Agent
SONY Display Device, Pittsburgh

Dated: November 12, 2001

Westmoreland County
Commonwealth of Pennsylvania

On this the 12th Day of November, 2001

Louis Dubois appeared before me to notarize his signature.

Maryann Schach My Commission expires September 14, 2002

Notarial Seal
Maryann Schach, Notary Public
East Huntingdon Twp., Westmoreland County
My Commission Expires Sept. 14, 2002
Member, Pennsylvania Association of Notaries

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